

Message Text

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 6575

C O N F I D E N T I A L LONDON 17612

E.O. 11652: GDS

TAGS: EINV, UK

SUBJECT: RCA THREATENS PULLOUT FROM UK JOINT VENTURE

SUMMARY: FCO HAS ASKED EMBASSY TO INFORM DEPARTMENT URGENTLY THAT FOREIGN SECRETARY CALLAGHAN EXPECTS TO RAISE WITH SECRETARY KISSINGER AT SUMMIT MEETING PROBLEM OF IMPENDING PULL-OUT OF RCA FROM JOINTLY-OWNED TELEVISION TUBE FACTORY IN LANCASHIRE WITH PROSPECTIVE LOSS OF SOME 1400 JOBS. HMG HAS OFFERED PAYMENT TO MEET LOSSES WHILE POSSIBILITY OF BRINGING IN NEW PARTNER IN PLACE OF RCA IS EXPLORED. FCO THINKS (AND WE AGREE) PRECIPITATE CLOSURE IN CIRCUMSTANCES COULD BE DAMAGING TO MULTINATIONAL IMAGE AND TO US-UK RELATIONS AND HOPES USG MIGHT RAISE MATTER WITH RCA. EMBASSY IS ENDEAVORING TO REACH RCA REPRESENTATIVES TO DISCUSS SITUATION. END SUMMARY.

1. NORMAN STATHAM MOST SENIOR FCO ECONOMIC OFFICIAL CALLED ECOMIN TO FCO THIS AFTERNOON TO DISCUSS SITUATION INVOLVING THORN COLOUR TUBES LTD, A LANCASHIRE MANUFACTURER OWNED 51 PERCENT BY THORN (UK) AND 49 PERCENT BY RCA OF NEW YORK.

2. ACCORDING TO STATHAM'S ACCOUNT, JOINTLY-OWNED FIRM, WHICH IS ONE OF TWO MAJOR UK PRODUCERS OF COLOR TV TUBES (OTHER IS PHILLIPS) HAS LOST MONEY SINCE LATE 1974 AND THROUGH 1975. BY SEPTEMBER 1975 RCA STATED INTENTION
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OF PULLING OUT. WITH RCA AGREEMENT AND IN CONSULTATION

WITH DEPARTMENT OF INDUSTRY THORN BEGAN CONVERSATIONS
WITH PHILLIPS AIMED AT PHILLIPS PARTICIPATION IN VENTURE.
PHILLIPS EXPRESSED DESIRE TO COOPERATE BUT NEEDS TIME.
THREE WEEKS AGO RCA SENT TEAM TO LONDON AND PRESSED
FOR WITHDRAWAL ON GROUNDS CONTINUED
PARTICIPATION WAS
COSTING A TOTAL FOR BOTH PARTNERS OF POUNDS 100,000 A
WEEK.

3. DEPARTMENT OF INDUSTRY INFORMED THORN NOVEMBER 13
IT PREPARED TO PUT UP POUNDS 1 MILLION TO COVER CASH
LOSSES FOR 10 WEEK PERIOD STARTING NOVEMBER 3 IN ORDER
TO PERMIT THORN AND PHILLIPS TO NEGOTIATE PARTICIPATION.
AT MEETING TODAY RCA INSISTED ON IMMEDIATE WITHDRAWAL.
NOT CLEAR WHETHER RCA REPS ACTING ON EARLIER INSTRUCTIONS
OR HAVE CONSULTED NEW YORK RE HMG OFFER.

4. STATHAM CONCLUDED THAT HMG FEELS IT "MORE THAN A
LITTLE DISTRESSING" THAT RCA APPARENTLY FEELS COMPELLED
TO TAKE THIS POSITION. IN VIEW OF POTENTIAL DAMAGE OF
RCA ACTION TO IMAGE OF MULTINATIONAL COMPANIES IN UK
AND TO US-UK RELATIONS, FOREIGN SECRETARY CALLAGHAN
INTENDS TO RAISE MATTER WITH SECRETARY KISSINGER IN
COURSE OF SUMMIT MEETING THIS WEEKEND.

5. NO PUBLICITY HAS YET APPEARED; BOTH HMG AND EMBASSY
WOULD WISH TO SEE MATTER SOLVED AS QUIETLY AS POSSIBLE.
FINAL PULL-OUT DECISION, HOWEVER, WOULD IMMEDIATELY BE
WIDELY PUBLICIZED WITH ADVERSE IMPACT ON US-UK RELATIONS,
PARTICULARLY IN VIEW OF PUBLICITY SURROUNDING CURRENT
CHRYSLER SITUATION.

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